



STB UPDATE

OCTOBER 3, 2017



End of third quarter highlights

- After nearly two months of improvement, dwell now lower than 2016 full-year average
- Velocity continues six weeks of gains and is now higher than 2016 full-year average
- Merchandise transit times have returned to normal range, and are lower than transit levels at the outset of Precision Scheduled Railroad implementation in first quarter 2017
- Despite Hurricane Irma disruption, broader network recovery momentum continued
- Train plan has stabilized and volume is flowing through terminals effectively; network prepared as volume rises sequentially moving into fall peak season
- Customer logs down over 50% from height of network challenges, and represent <1% of daily originations and <0.2% of active cars online

Significant operating improvements during third quarter put CSX on a solid foundation for fall peak



Continued progression in network performance last week

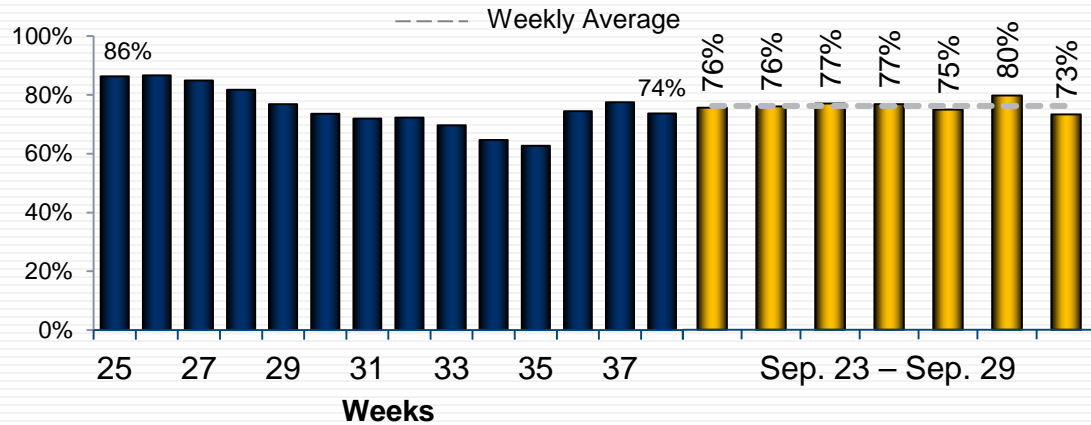
- Dwell remained at lower levels; velocity at highest point since June*
- Right Car Right Train stable
- Crew and power resource levels remain well matched to demand
- Hump yards performing reliably as hump volume has stabilized to planned levels
- Western terminals recovered, secondary congestion recovered as well
- Empty car fulfillment at highest level since June as car flows have returned after the storm
- Local pull and place performance stable
- Customer problem logs have returned to normal levels as performance has improved
- Interchange volumes and performance steady

CSX experienced congestion challenges at Western corridor terminals from mid-late July (weeks 29-31); original terminals now healthy and network recovery progressing

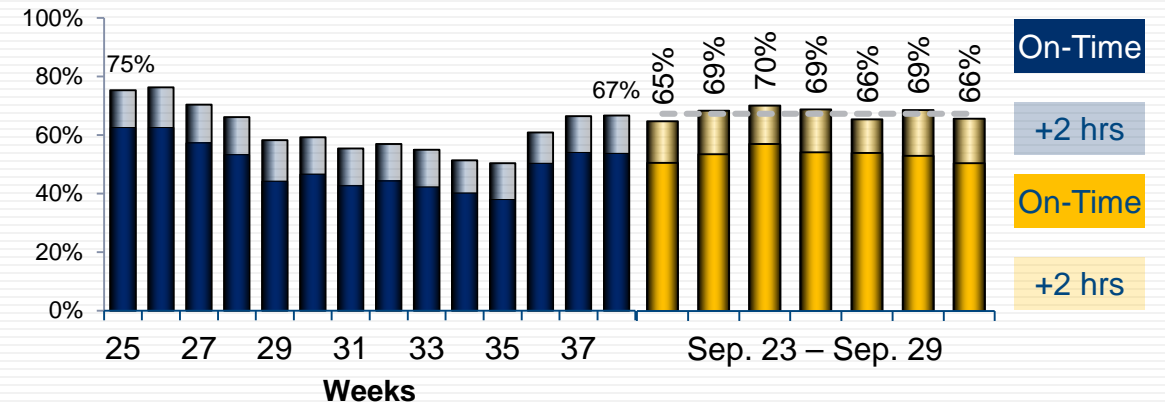


Velocity up, dwell stable at improved performance levels

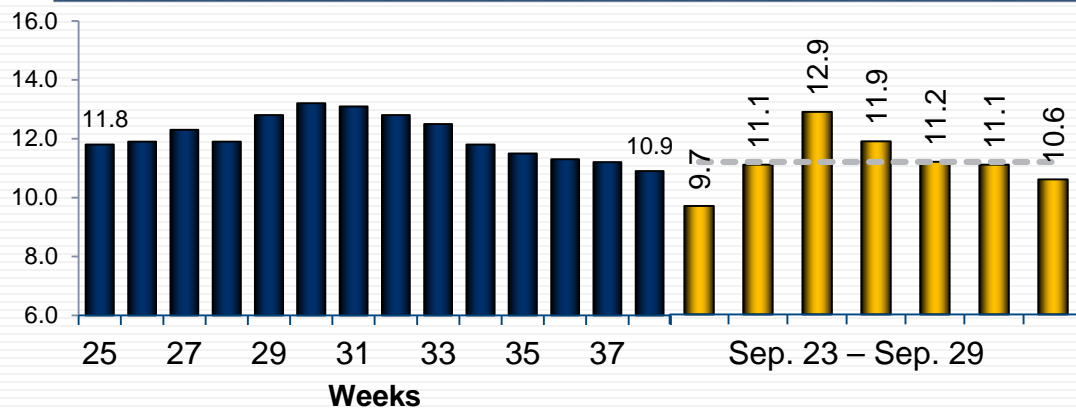
On Time Originations (%)



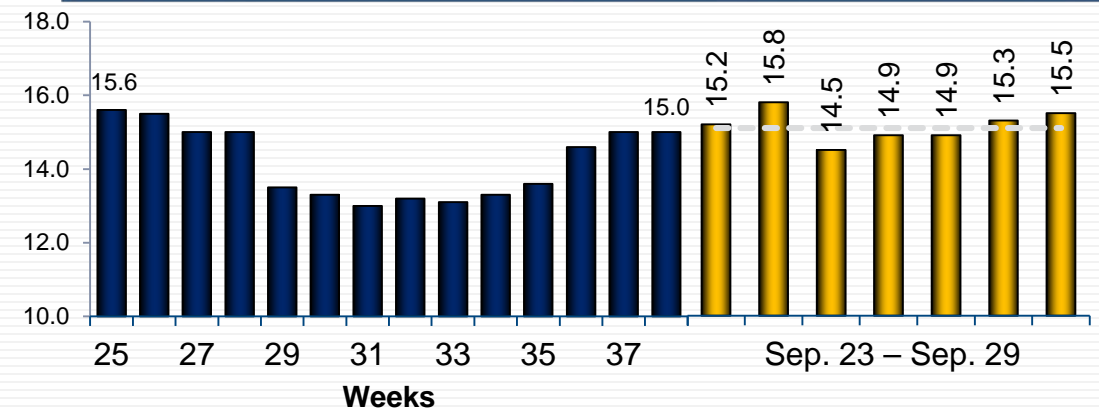
On Time Arrivals (%)



Dwell (hours)

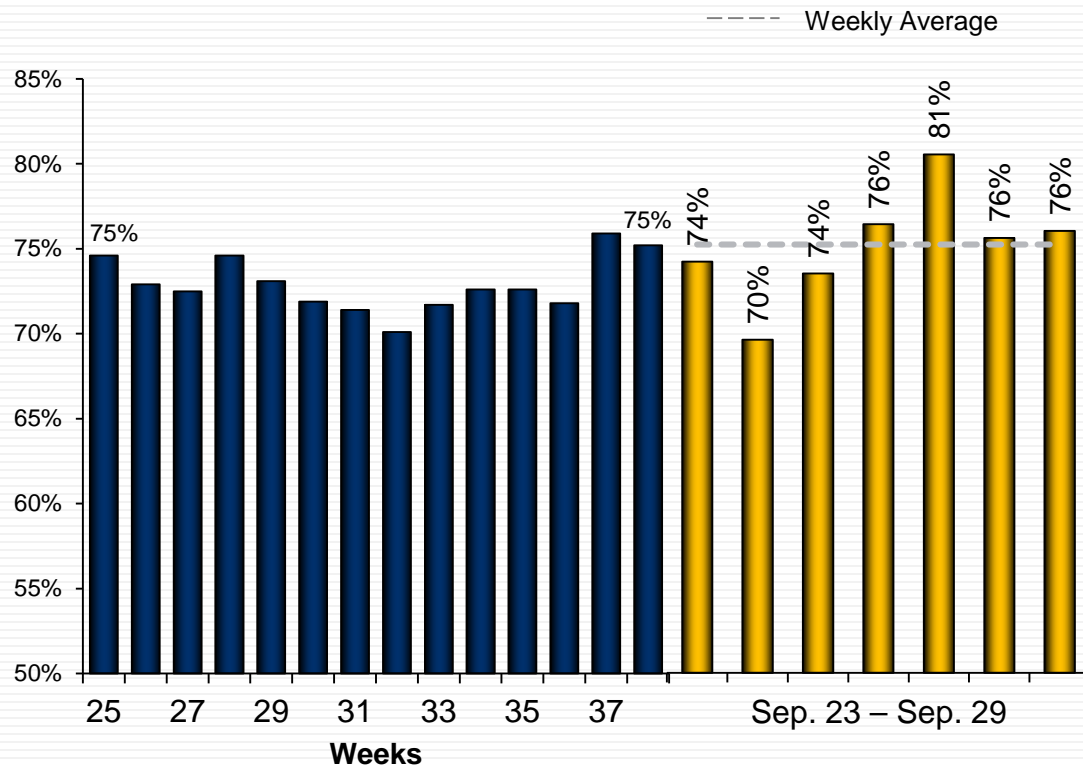


Velocity (mph)



Right Car Right Train holding relatively stable; less relevant in PSR

Right Car Right Train¹

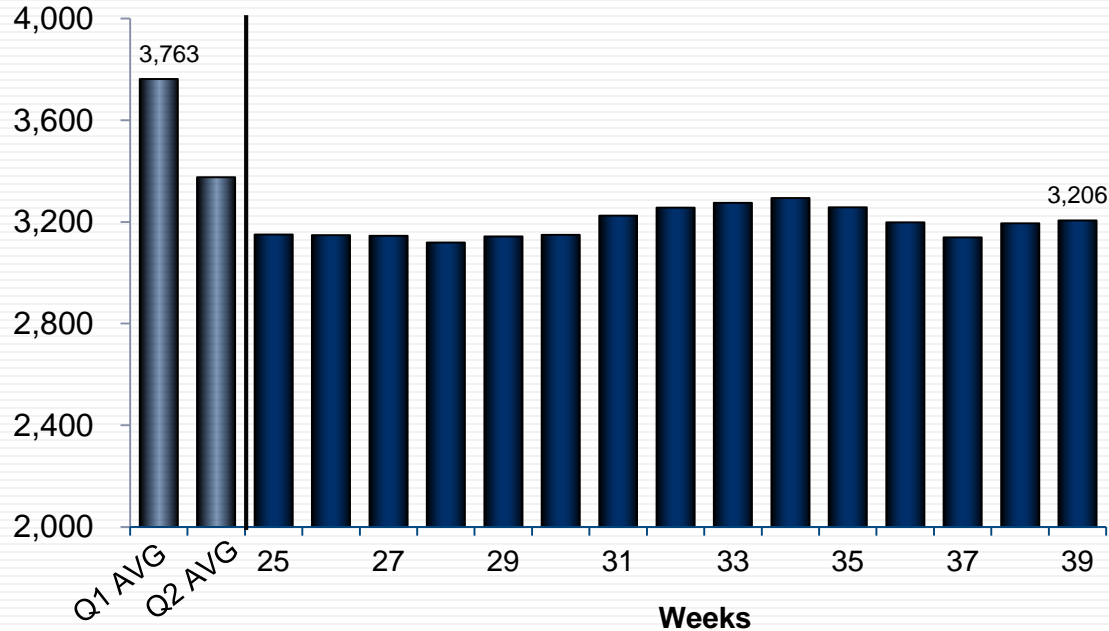


- Right Car Right Train is no longer a measure that CSX uses to manage its operation
 - In precision scheduled railroading (PSR), if a car can be advanced on another train to speed transit or ensure its on-time arrival, there is not one “right train”
- Car priority is to move cars quickly, on next available train
 - Asset utilization a key tenet of PSR
- Train priority is blocking integrity and departing all available, relevant cars from the yard
 - Blocking integrity certifies that a train is built correctly and shipments are headed to the correct location
 - Managed through field supervision



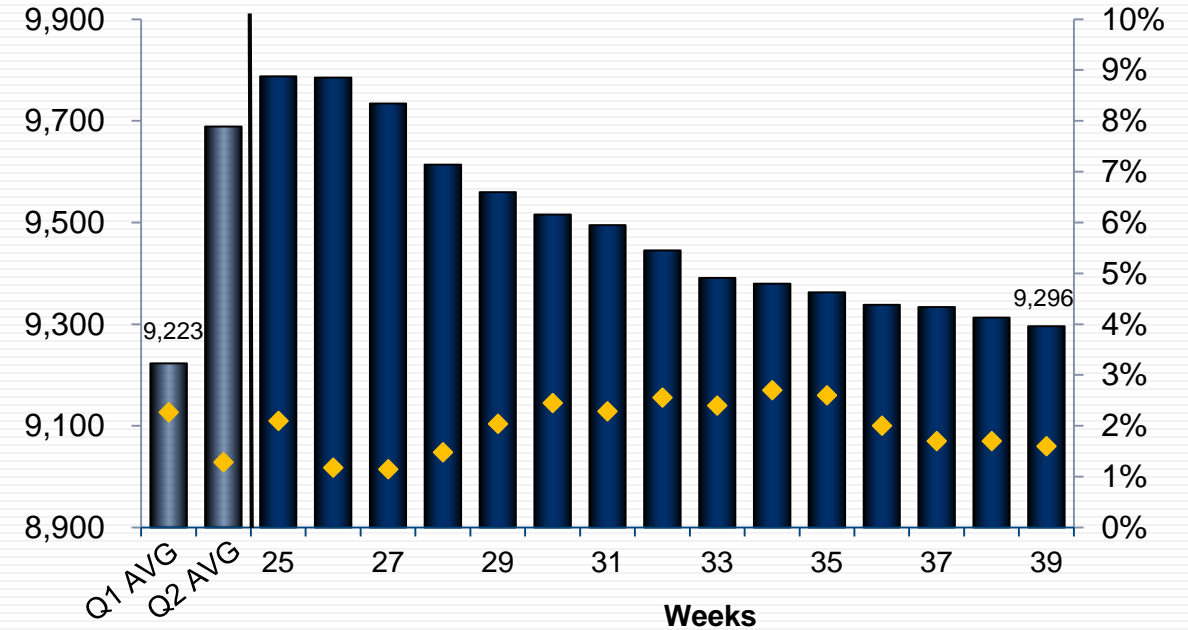
Resourcing appropriately to meet business needs

Active Locomotives



- Q3 locomotive level stable; engines available to meet impending grain harvest season

Train & Engine Headcount and Re-crew Rate¹



- Re-crew rates remain at historic lows and stable

Power and crew availability steady in third quarter at approximately 99% and 95%, respectively

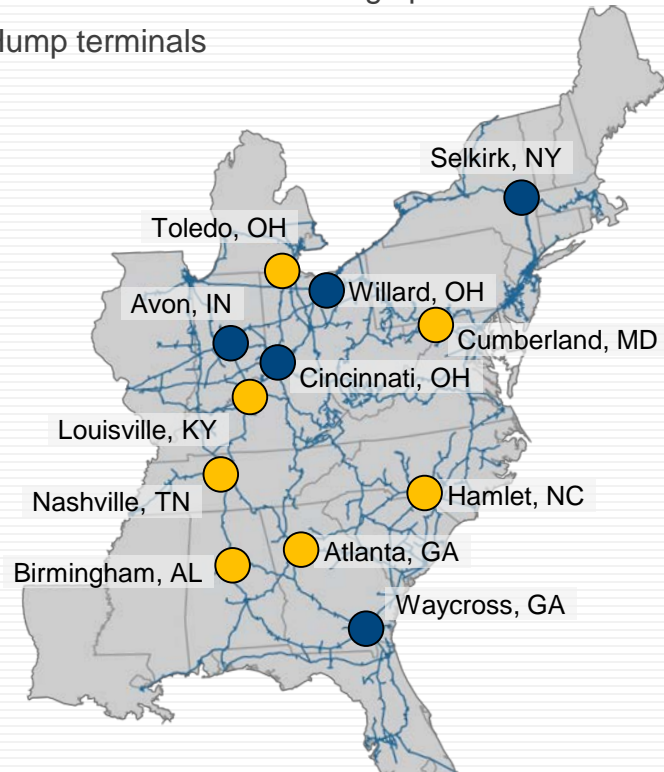
¹ Re-crew rate is re-crew people starts as a percent of total measured people starts, and represents incidences of replacing a crew on the same train ID (generally due to hours of service).



Hump yard performance steady

CSX Hump Terminal Overview

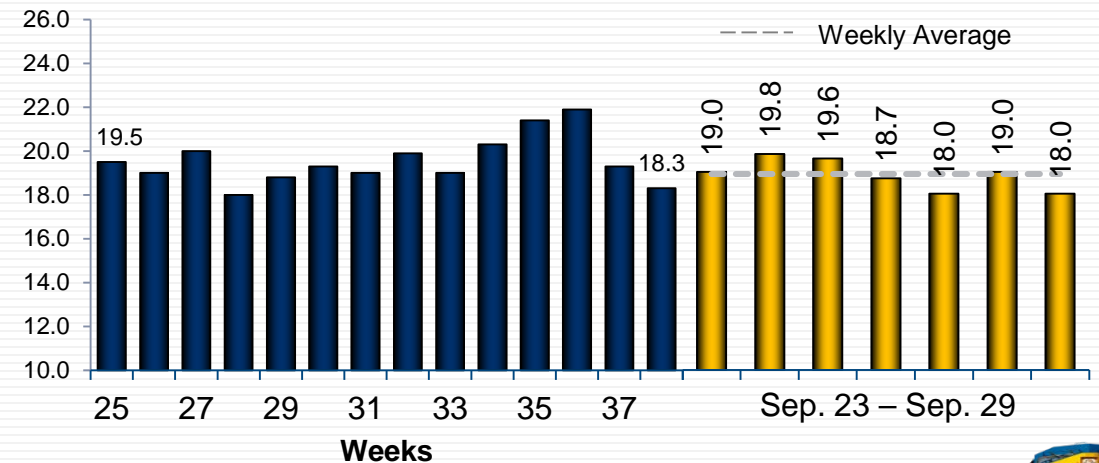
- Transitioned to flat-switching operations
- Hump terminals



Absolute number of humps not “good” or “bad”; goal is best mix of hump and flat yards for processing efficiency

- Total hump yard volumes remain in a consistent band week-over-week, well below capacity of yards
- Total hump dwell back to pre-hurricane levels as traffic flows have normalized
 - Cars and trains held at Waycross through storm period

Dwell at Hump Terminals¹



¹ Dwell displayed according to CSX methodology; explanation of CSX methodology can be found in appendix. Week 37 & 38 dwell excludes terminals that held cars through Hurricane Irma-impacted period



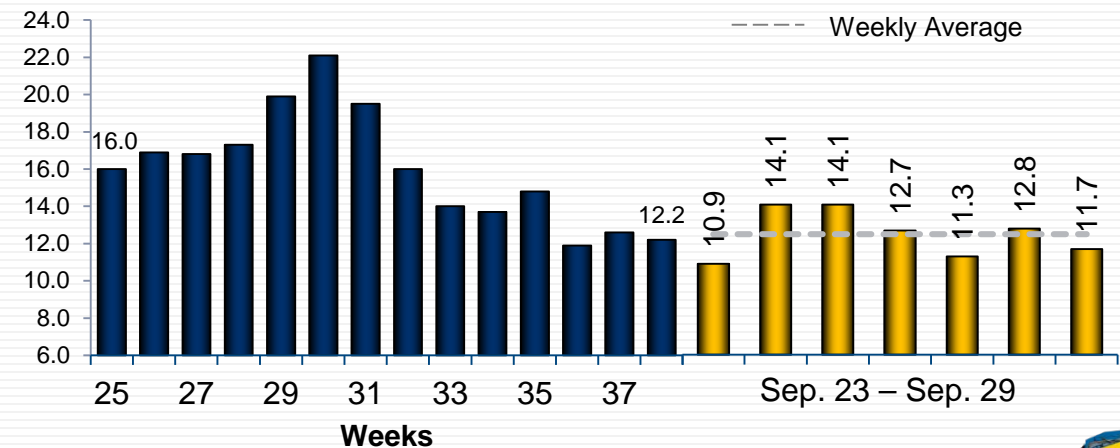
Western performance recovered; plan changes alleviated congestion

Western Corridor Key Terminals



- Key terminal productivity and performance measures recovered in former “trouble” spots
- Train plan addressed secondary concerns
 - Leveraged Avon as offset of increased volume flow through Russell, Columbus and Louisville
 - Dwell at these three locations down 45% from high point, and in expected range

Dwell at Western Terminals¹

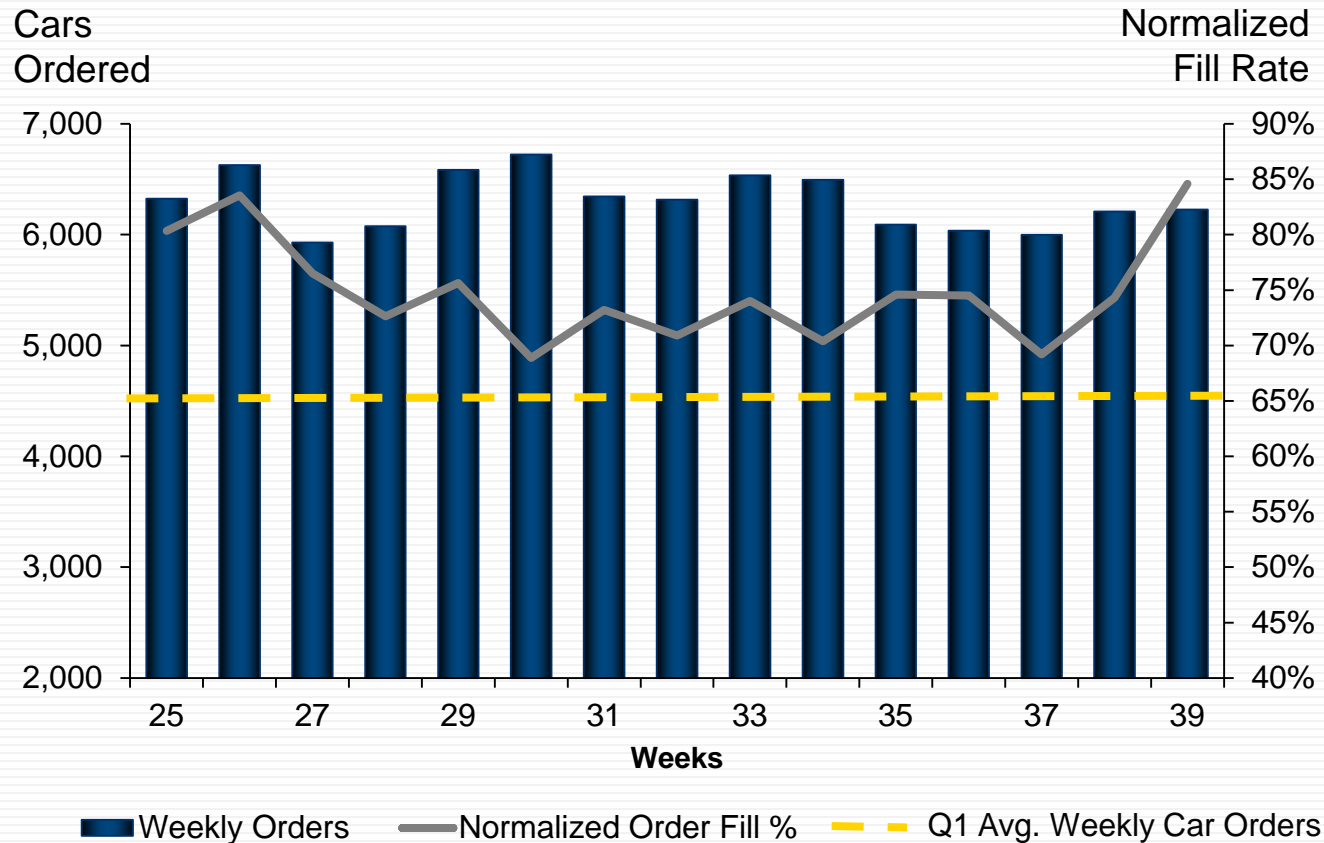


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Car order fill fully recovered from storm impacts

Weekly Car Orders and Normalized Fill Rate



- Holding of cars through storm caused temporary backlog of regional flows
 - Waycross a key distribution point of cars

- Empty car dwell continues to rise at customer locations
 - Indicates improved car supply and availability
 - Customers maintaining buffer stock, which elongates total asset turn times

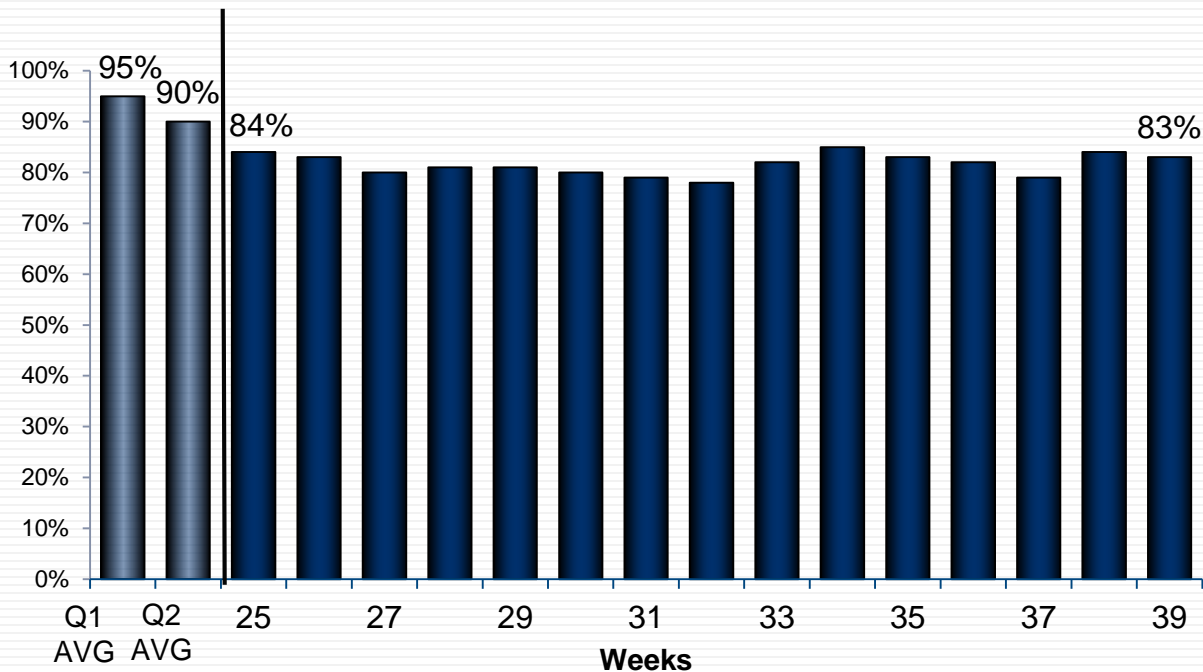
- Absolute car orders filled, and fulfillment rate, for week 39 at highest level since June

¹ Normalized fill rate is a proxy of demand fulfillment against historical/expected order levels, as current order levels are disconnected with demand



Last mile performance stable, back to pre-storm levels

Local Service Measurement¹

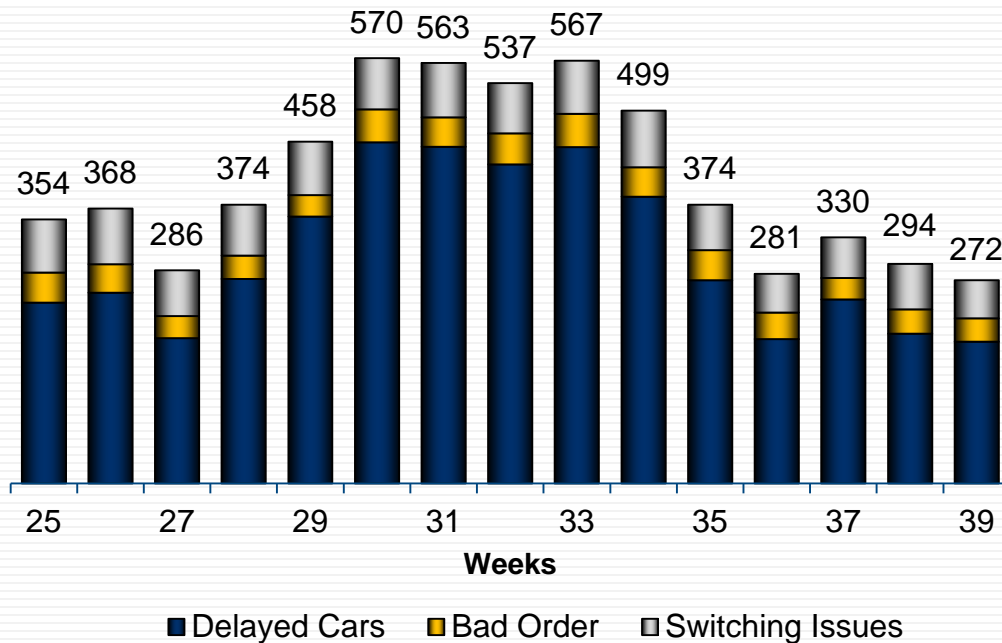


- Local Service Measurement (LSM) is no longer a metric that CSX uses to manage its operation
 - In precision scheduled railroading (PSR), focus on end-to-end transit and customer expectations
 - Last mile performance must be in combination with, not independent of, overall performance
- Accordingly, LSM as a reported metric was discontinued upon start of PSR implementation
 - At request of STB, last mile tracking reinstated to monitor through implementation period
 - Data reflects passive information flow, lacking prior focus on field reporting to ensure LSM capture
- Reliable pull and place expected as part of service to customers



Customer problem logs returned to normal levels

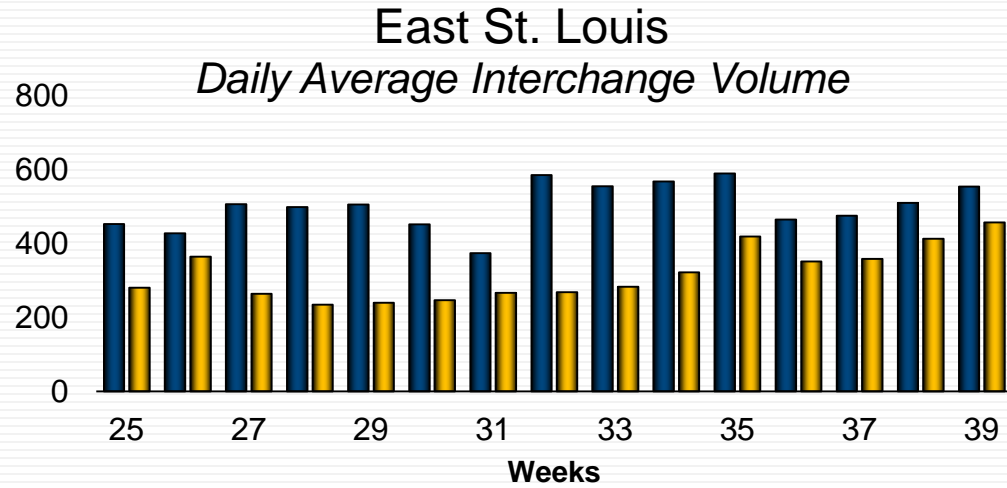
Customer Inquiries
Daily Average Log Volume



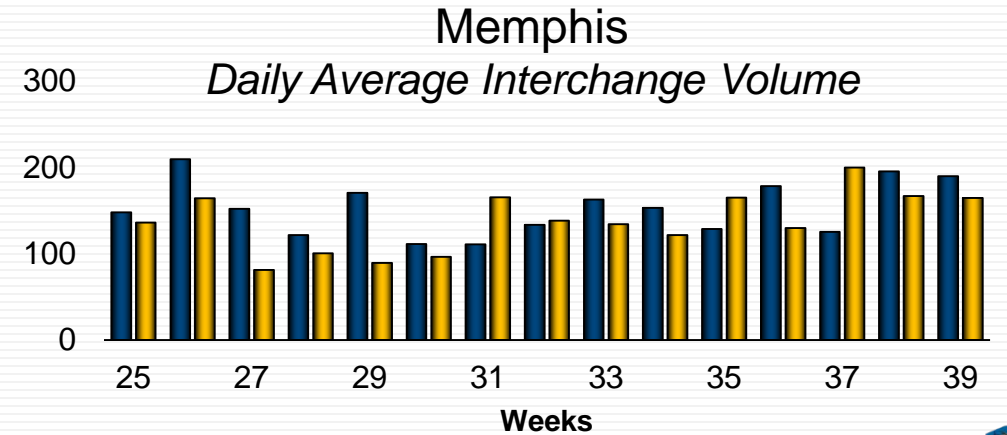
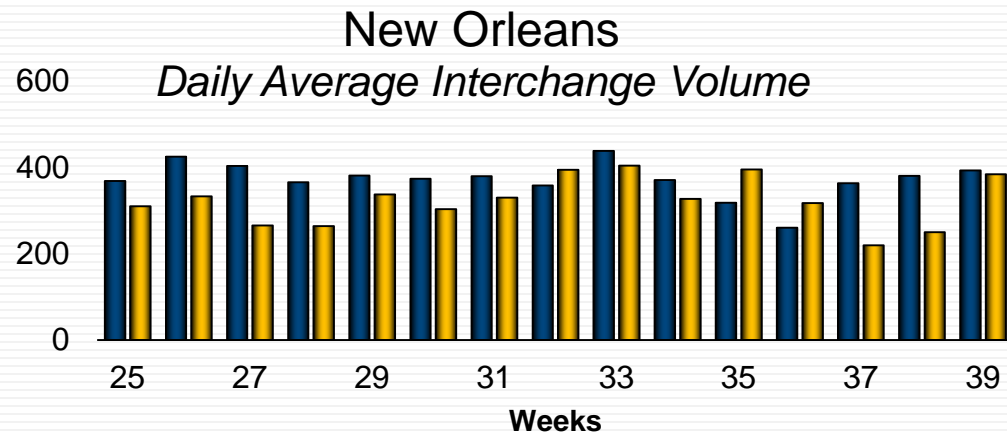
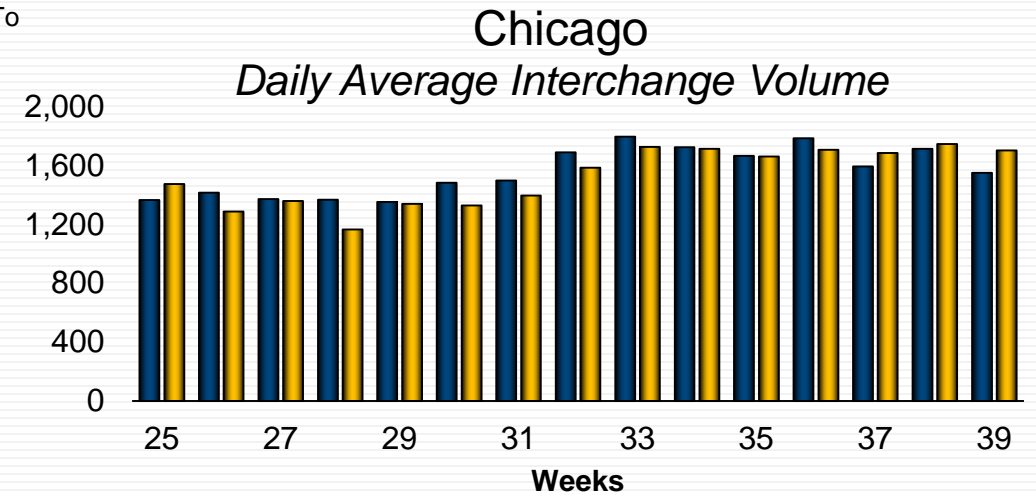
- Delayed cars remain most frequent concern, but have returned to normal levels (<1% of traffic)
 - Trend in problem logs mirrors timeframe of network challenges and recovery, followed by Hurricane Irma
 - Lower levels of long-dwelling cars reflects overall fluidity improvements
- Nearly 90% of last two weeks' problem logs have been addressed and closed to-date
 - Leaving more logs open through final destination
 - Managing pipeline of customer concerns to full resolution



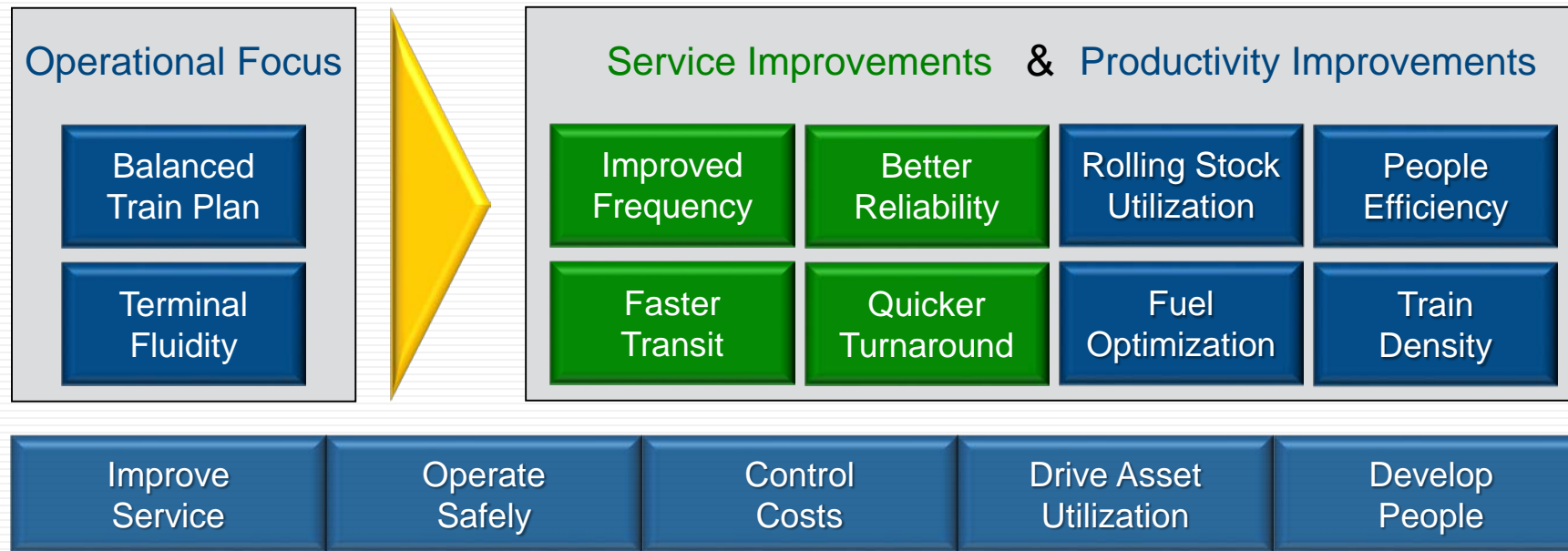
Interchanges remain current and performing to expectations



■ From ■ To



Precision scheduled railroading to produce service improvement



- Realigned service frequency in second quarter
- Set the groundwork of a balanced train plan in early July
- Terminals' improved efficiency and traffic flow adjustments have significantly recovered service
- Improved execution on this foundation to drive long-term service and productivity improvements



APPENDIX

HOW TOMORROW MOVES



CSX has changed methodology on some metrics reported publicly

Velocity

Former	Line of road miles per hour
Current	Total miles traveled per hour, including intermediate dwell of the train
Change Reason	Includes full trip of a train and ability to diagnose overall speed profile (in support of improvement in asset cycle)
Effect on Metric	Reported velocity will be lower

Dwell

Former	Car time at terminal, excluding cars on the same train ID
Current	All car time with a terminal work event, including through cars on same train ID (e.g. crew change)
Change Reason	Includes all dwell with ability to diagnose all events impacting car movement (in support of improvement in asset cycle)
Effect on Metric	Reported dwell will be lower

Cars Online

Former	All cars on CSX, as determined by RailInc
Current	RailInc cars on CSX, excluding cars stored, under repair, sold, and private cars ex online inventory
Change Reason	More accurate measurement of active cars on line, i.e. cars for which CSX is focused on real-time, efficient movement
Effect on Metric	Reported cars online will be lower

Restated historical data in new methodology available on csx.com/servicemetrics

